

## MEMORANDUM

TO: Mayor and Council

FROM: Joe Nagro, City Manager

CC: Robert H. Levan, Steve Groh, Terry Schum, Sara Imhulse, Lindsey Rader, Ernie Crofoot

DATE: November 30, 2006

RE: Parking Garage Financing

On Wednesday, November 29, the Mayor and Council held a public worksession to explore funding the anticipated debt connected with the construction of the parking garage at the intersection of Yale and Knox Roads. The purpose of the presentation was to permit Bond Counsel to address the Council on the attributes and deficiencies of using either general obligation (G.O.) bonds or revenue bonds to finance the project. For purposes of the analysis, it was assumed that the City would be borrowing \$7.3 million dollars. G.O. bonds would be backed by the taxing authority of the City; revenue bonds, theoretically, are backed by the revenue stream generated by the project.

Based upon the presentation of Bond Counsel and Mr. Sam Ketterman, who has been selected as Financial Advisor to the City, it was clear that the cost of issuing and financing the project through revenue bonds would be considerably more expensive to the City than issuing a general obligation bond. While the difference in interest rates between the two instruments may be relatively small, the City was advised that the cost of issuance for revenue bonds could exceed one million dollars, dependent upon how the bond is structured.

As a result of the discussion, Staff perceived the Council to be disposed to pursuing a general obligation bond, understanding that such a bond would be secured by the full faith and credit of the City.

It was also equally clear that rather than to finance such an instrument through general tax revenues, the City could still use the revenue stream from the project and other sources in order to accommodate the debt service on the bond, rather than an increase in City taxes. However, in order to ascertain more precisely how those revenue sources could be used, additional information relating to the income likely to be generated by the facility was required. An update to our latest parking study, which was conducted more than three years ago by the Desman Group, would likely provide that information.

It was also considered that the City might use other funding, such as grant revenues, to be applied to the debt service, if such revenues were available.

Finally, the remaining deficit, if any, could be financed through the creation of a special taxing district within the parking district previously established by the City. The Mayor and Council should understand the fiscal implications on property owners within the district.

In addition, Bond Counsel, concluding that a private placement general obligation bond would be the least costly method of financing the project, wanted to be certain that appropriate sections of the City Code were in order to permit the private sale of a general obligation bond.

Based upon the discussion of the Mayor and Council, the staff concludes and recommends as follows:

1. It is the sense of the Council that a general obligation bond, privately placed, would be the optimum way to finance the facility.
2. The Staff recommends that it be directed to prepare a financial “model” to finance a \$7.3 million facility using the revenues generated from the facilities, i.e. fees, fines, etc., plus additional revenues generated from the establishment of a special taxing district. As part of this task, Staff will obtain an update of the Desman study to assess the likely level of revenue generation and will calculate the impact on local businesses within the parking district to accommodate any shortfall in revenues which might be applied to the debt service and operating expense of the garage.
3. In order to be prepared to respond to Capstone, as required by the City’s agreement for the City’s commitment to finance the garage, the City will authorize Bond Counsel to prepare an authorizing bond ordinance, which would enable the City, at an appropriate time, to move forward with the issuance of a bond or, if appropriate, tax bond anticipation notes.
4. In addition, Bond Counsel should review the City Code to ascertain any Code language that might hinder the City’s ability to generate and use revenues, not received through the City’s general tax authority, in a manner that might be applied to servicing the debt on the bond.
5. Staff will conduct a tax impact analysis.